



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Kathleen Clarke
Executive Director
Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

June 6, 2000

CERTIFIED RETURN RECEIPT
Z 230 748 205

Gordon Ziegler
Ziegler Chemical & Minerals Corp.
100 Jericho Quadrangle
Jericho, New York 11754

Re: Status of Reclamation Surety, Ziegler Chemical & Minerals Corp, Ziegler Gilsonite Mine,
M/047/013, Uintah County, Utah

Dear Mr. Ziegler:

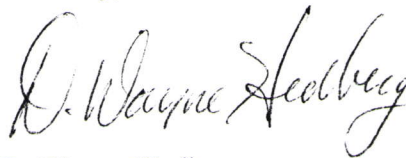
It has just recently been brought to our attention by our appointed Assistant Attorney General that the financial status of Frontier Insurance Company (Frontier) has become questionable. Frontier's 1999 *A.M. Best Rating* was listed as an A+ (excellent) Secure Rating, but as of June 1, 2000, its rating had dropped to a C++ (marginal) Vulnerable Rating. As of June 1, 2000, the Department of the Treasury's Listing of Approved Sureties (Department Circular 570) published a notice that it was removing Frontier Insurance Company from its acceptable list. This is a benchmark that we use when considering acceptance of a proposed surety company. Our legal counsel has advised that we should no longer accept Frontier as a secure surety at this time.

At the present time, the Division holds a \$126,000 reclamation surety issued by Frontier for reclamation of your Ziegler Gilsonite Mine. Given Frontier's questionable financial stability we can no longer accept this company as a sound surety provider. We hereby request that you select an alternate surety company, or post a different form of reclamation surety with this office within the next 30-45 days. As you are aware, the Utah Mining Law does not allow a large mine to operate without a secure form of reclamation surety in place at all times. If you choose to use a different form of surety, please contact us at your earliest convenience so we can provide the appropriate forms to you.

Page 2
Gordon Ziegler
M/047/013
June 6 ,2000

This is an unfortunate situation that neither of us could have predicted. We thank you for your continued cooperation and understanding in this regard. If you have any questions regarding the requirements of this letter, please contact me at (801) 538-5286 or Tony Gallegos at 538-5267.

Sincerely,

A handwritten signature in cursive script, reading "D. Wayne Hedberg".

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Enclosure: MR-6 Surety Form
cc: Stan Wagner, Ziegler Mine Manager
Gayle McKeachnie, McKeachnie & Allred
John Blake, SITLA (ML 19868)
Stan Perkes, BLM State Office (UTU-73612)
M01-19-frontier